

**The Beaver County Jail
Commissary and Work Release
Audit Report
For the period January 2005 through December 2008**

**David A. Rossi
Beaver County Controller**

Table of Contents

Audit Letter	2
Audit Scope and Objectives	3
Statements of Revenues and Expenses	4
Report on Internal Control Structure	16
Findings and Recommendations	19
Exit Conference and Follow-up Reporting	30

DAVID A. ROSSI
CONTROLLER



WILLIAM CALHOON
CHIEF DEPUTY CONTROLLER
ALBERT A. TORRENCE
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

May 4, 2009

Mr. William Schouppe, Warden
Beaver County Jail
6000 Woodlawn Boulevard
Aliquippa, PA 15001

Dear Mr. Schouppe:

We have audited the financial records of the Beaver County Jail Commissary and Work Release Programs for the period January 1, 2005 through December 31, 2008. Based upon this audit we have issued our report thereon dated May 4, 2009.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Based upon our review of the financial records, we have made the following findings and recommendation as detailed in this report.

David A. Rossi
Beaver County Controller

AUDIT SCOPE:

The scope of this audit encompasses the period from January 1, 2005 to December 31, 2008.

AUDIT OBJECTIVES:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Evaluate the operation of the canteen fund, inmate fund, and work release fund
- Prepare financial statements for the years of reviewed
- Evaluate controls over the checking accounts
- Ensure that funds are secured and deposited timely
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate
- Ensure that funds receipted are applied properly
- Ensure that void receipts are voided for a valid reason
- Ensure that proper documentation is maintained in the files
- Evaluate the controls over cash
- Evaluate the controls over expenditures and the administration of the budget
- Evaluate controls over general office procedures

**THE BEAVER COUNTY JAIL - CANTEEN FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2005**

Beginning balance 1/1/2005

\$ 175,061.64

Receipts:

Telephone commissions	\$	188,345.56
Commissary Sales		183,293.86
BCJ Canteen		8,602.15
Misc.		5,617.28
Interest		5,473.36
Work Release Medical Tests		705.60

Total Receipts

392,037.81

Disbursements:

Oasis Management	\$	138,581.74
Bob Barker Company		73,733.94
Lance, Inc.		37,198.53
Beaver County Jail Inmate Fund (Payroll)		27,475.00
Thomson West		24,407.00
Christians United in Beaver County		21,000.00
Renick Brothers		7,270.87
Garcia Marketing, Inc.		5,056.69
Gerald Hudson		3,816.00
Benco Dental		3,500.00
Beaver County Jail Inmate Fund (Indigent Inmates)		3,384.26
Digital Solutions		3,220.00
Leslee Scott Inc		2,800.80
Justice Packaging		2,584.81
Tri County Copy Products		2,467.00
Gordan's Graphics		2,220.35
Postage		2,220.00
Speerhas Business Machines, Inc.		2,178.63
Beaver County Times		1,966.46
Ecolab/GCS Service Inc		1,929.25
K-mart		1,813.18
Dish Network		1,653.14
Beaver Valley Office Equipment, Inc.		1,582.86
Redwood Biotech Inc.		1,336.50
Pitney Bowes		1,321.00
New Horizon of Pitts.		1,230.00
Pan		1,225.38
Beaver County Jail Inmate Fund (Inmate fund bank fees)		1,218.00
Beaver County Work Release		1,122.45
Dell Marketing L.P.		1,066.91
Pinnacle Electronic Systems		970.00
Gray Sound - Comm. Inc.		938.98
Staples		856.76
Tri-State Equipment Co.		823.80
ATD-American Co.		821.80
Crawford Supply Company		744.48
Notary Expenses		724.42
Rochester TV and Radio		655.00
Purchase Power		516.99
Office Max		482.95
American Jail Association		395.00
Drexel University College of Medicine		370.00
Certified Welding & Fab		360.00
G.E.D. Testing		355.00
Sheffield Fire & Safety Co.		300.00
Ramada Inn		220.00
Pittsburgh Laundry Systems		178.51
Federal Licensing Inc.		175.00
Sam's Club		120.00
PA Bureau of Correctional Industries		92.00
Beaver County Commissioners		91.16
Circuit City		63.59
Bank Fees		62.16
Simplex Grinnell		58.61
Radio Shack		21.16

Total Disbursements

(390,978.12)

Adjustment:

Prior period void checks

18.50

Ending Balance 12/31/2005

\$ 176,139.83

**THE BEAVER COUNTY JAIL - CANTEEN FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2006**

Beginning balance 1/1/2006

\$ 176,139.83

Receipts:

Commissary Sales	\$	175,414.05
Telephone commissions		64,776.40
BCJ Canteen		9,008.89
Interest		5,542.82
Misc.		3,193.37
Work Release Medical Tests		759.30
Total Receipts		\$ 258,694.83

Disbursements:

Oasis Management	\$	130,827.24
Bob Barker Company		58,007.04
Lance, Inc.		48,832.24
Thomson West		37,732.00
Beaver County Jail Inmate Fund (Payroll)		30,148.00
Christians United in Beaver County		21,000.00
Beaver County Jail Inmate Fund (Indigent Inmates)		6,207.22
Garcia Marketing, Inc.		5,019.60
Renick Brothers		3,975.00
Justice Packaging		3,551.11
Postage		3,188.00
Speerhas Business Machines, Inc.		2,785.05
Rimar Enterprises Inc.		2,715.00
Gerald Hudson		2,572.00
Redwood Biotech Inc.		2,031.62
Beaver County Times		2,027.30
Maffei Strajer Furnishing		1,975.00
Ecolab/GCS Service Inc		1,955.19
Gordan's Graphics		1,939.91
Pitney Bowes		1,674.98
Tri County Copy Products		1,644.00
Giles Company		1,530.00
Dish Network		1,433.67
Rochester TV and Radio		1,401.18
N F Ruggeri & Sons Inc.		1,220.00
Beaver County Work Release		1,183.12
Beaver County Jail Inmate Fund (Inmate fund bank fees)		1,038.60
Circuit City		1,032.36
Staples		956.54
A-Teck Cellular Inc		902.81
G.E.D. Testing		800.00
Beaver Valley Office Equipment, Inc.		770.16
Beaver County Commissioners		728.00
K-mart		626.67
Beaver County Jail Inmate Fund (Misc. reimbursements)		551.15
Pittsburgh Laundry Systems		412.40
The Vac Shop, Inc.		351.95
Hobart Service		231.00
Bauman Office Equipment		225.00
Esty Specialty Products Inc.		215.00
Office Max		206.23
PCB		200.00
Sports Factory & Promotions Inc.		175.00
Grainger (mail cart)		148.23
Sam's Club		140.00
Standard Typewriter and Office Equipment		110.00
Federal Licensing Inc.		90.00
Johnston Supply		17.64
Southern Health Partners		7.00
Total Disbursements		(386,511.21)

Ending Balance 12/31/2006

\$ 48,323.45

**THE BEAVER COUNTY JAIL - CANTEEN FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2007**

Beginning Balance 1/1/2007 **\$ 48,323.45**

Receipts:

Commissary Sales	\$	171,713.11	
Telephone commissions		86,282.68	
BCJ Canteen		3,764.24	
Misc.		3,318.25	
Interest		1,417.45	
Work Release Medical Tests		209.60	
Total Receipts		266,705.33	\$ 266,705.33

Disbursements:

Keefe Commissary Network Sales	\$	86,651.34	
Christians United in Beaver County		50,000.04	
Beaver County Jail Inmate Fund (Payroll)		36,363.00	
Oasis Management		32,041.34	
Thomson West		26,659.55	
Bob Barker Company		20,112.81	
Garcia Marketing, Inc.		8,422.38	
Justice Packaging		5,306.69	
Lance, Inc.		4,091.02	
Postage		3,296.00	
Beaver County Jail Inmate Fund (Misc. reimbursements)		2,986.91	
Pitney Bowes		2,466.50	
Speerhas Business Machines, Inc.		2,131.00	
1-Step Detect Associates		2,031.60	
Beaver County Times		1,977.70	
Gordan's Graphics		1,957.85	
Beaver County Jail Inmate Fund (Indigent Inmates)		1,667.55	
Howard Stingle		1,651.00	
Dish Network		1,382.79	
G.E.D. Testing		1,240.00	
Beaver County Jail Inmate Fund (Inmate fund bank fees)		1,221.12	
Matthew Bender Co.		1,155.98	
Rochester TV and Radio		1,123.00	
The Vac Shop, Inc.		989.85	
4-Ascc		934.76	
Grainger (mail cart)		857.68	
Humane Restraint		681.00	
A-Teck Cellular Inc		483.00	
Ecolab/GCS Service Inc		371.46	
Smithcraft Signs & Awards		346.34	
Gerald Hudson		308.00	
Kings Mirror & Glass Co.		293.15	
Staples		169.56	
Office Max		157.01	
Sam's Club		140.00	
Bank Fees		91.25	
Mental Health Assoc.		75.00	
Total Disbursements		(301,835.23)	(301,835.23)

Ending Balance 12/31/07 **\$ 13,193.55**

**THE BEAVER COUNTY JAIL - CANTEEN FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2008**

Beginning balance 1/1/2008 **\$ 13,193.55**

Receipts:

Commissary Sales	\$	190,108.38
Telephone commissions		98,600.66
Misc.		4,640.17
BCJ Canteen		2,916.22
Interest		792.29
Work Release Medical Tests		224.00
Total Receipts		\$ 297,281.72

Disbursements:

Keefe Commissary Network Sales	\$	149,661.48
Beaver County Jail Inmate Fund (Payroll)		30,948.00
M & M Uniforms		8,844.49
Bob Barker Company		7,305.70
Garcia Marketing, Inc.		7,305.53
Matthew Bender Co.		6,995.88
Humane Restraint		6,911.00
Thomson West		5,287.88
Justice Packaging		4,536.54
Postage		4,218.32
Christians United in Beaver County		4,166.67
Oasis Management		4,163.86
Beaver County Times		2,179.40
Grainger (mail cart)		1,937.72
Howard Stingle		1,706.00
PA District Attorneys		1,626.85
Beaver County Jail Inmate Fund (Inmate fund bank fees)		1,567.48
Dish Network		1,556.29
World Class MMA		1,320.00
Alco Pro Inc		962.00
Gordan's Graphics		878.80
PA Bureau of Correctional Industries		874.52
Beaver County Jail Inmate Fund (Misc.reimbursements)		687.46
Pitney Bowes		669.78
Rochester TV and Radio		657.19
Alpha		620.40
G.E.D. Testing		620.00
Pan		572.56
A-Teck Cellular Inc		500.00
Glosser Motor Inn		449.91
Precision Dynamics Corp.		388.10
Beaver County Work Release		364.04
Office Max		323.10
McMaster-Carr Supply		306.54
PCB		150.00
Sam's Club		140.00
Simplex Grinnell		116.55
Jason Owens		50.00
Total Disbursements		(261,570.04)

Ending Balance 12/31/08 **\$ 48,905.23**

**THE BEAVER COUNTY JAIL - INMATE ACCOUNT FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2005**

Beginning balance (1/1/05) **\$ 15,127.65**

Receipts:

Inmate Account Deposits	176,867.75	
Inmate Initial Deposits	67,260.45	
Inmate Payroll Deposits	27,731.00	
Work Release	19,797.47	
Indigent Credit upon release	4,087.50	
Miscellaneous	<u>2,448.35</u>	
		298,192.52

Disbursements:

Commissary Payments	175,697.42	
Inmate Discharges	83,369.48	
Payment of fines and costs	15,089.99	
Canteen payments	8,639.26	
Personal Incidentals	6,203.75	
Return Inmate Fund	<u>4,576.60</u>	
		(293,576.50)

Adjustment:

Unexplained / Cutoff adjustment 2005	623.76	
Net Bank fees	<u>72.90</u>	

Ending Balance (12/31/05) **\$ 20,440.33**

**THE BEAVER COUNTY JAIL - INMATE ACCOUNT FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2006**

Beginning balance (1/1/06)		\$ 20,440.33
Receipts:		
Inmate Account Deposits	186,884.92	
Inmate Initial Deposits	67,076.30	
Inmate Payroll Deposits	30,614.00	
Work Release	16,287.53	
Indigent Credit upon release	6,566.18	
Miscellaneous	<u>100.00</u>	
		307,528.93
Disbursements:		
Commissary Payments	177,399.60	
Inmate Discharges	98,882.48	
Personal Incidentals	12,149.75	
Payment of fines and costs	10,537.23	
Canteen payments	9,200.69	
Return Inmate Fund	4,697.27	
Other	<u>3,506.91</u>	
		(316,373.93)
Adjustment:		
Unexplained / Cutoff adjustment 2006	3,200.85	
Net Bank fees	<u>(13.80)</u>	
Ending Balance (12/31/06)		<u>\$ 14,782.38</u>

**THE BEAVER COUNTY JAIL - INMATE ACCOUNT FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2007**

Beginning balance (1/1/07) **\$ 14,782.38**

Receipts:

Inmate Account Deposits	171,988.19	
Inmate Initial Deposits	68,762.82	
Inmate Payroll Deposits	33,441.00	
Work Release	11,002.05	
Indigent Credit upon release	<u>2,059.73</u>	
		287,253.79

Disbursements:

Commissary Payments	158,365.13	
Inmate Discharges	100,851.65	
Payment of fines and costs	11,159.28	
Personal Incidentals	6,305.13	
Canteen payments	3,558.28	
Other	1,816.10	
Return Inmate Fund	934.57	
Damages Paid	<u>675.93</u>	
		(283,666.07)

Adjustment:

Net Bank fees	137.25	
Medical not paid to Beaver County	2,229.12	
Indigent Credit not reimbursed	(1,355.37)	
Unexplained / Cutoff adjustment 2007	<u>(3,971.38)</u>	

Ending Balance (12/31/07) **\$ 15,409.72**

**THE BEAVER COUNTY JAIL - INMATE ACCOUNT FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2008**

Beginning balance (1/1/08) **\$ 15,409.72**

Receipts:

Inmate Account Deposits	205,298.09	
Inmate Initial Deposits	72,893.31	
Inmate Payroll Deposits	30,948.00	
Work Release	11,427.71	
Indigent Credit upon release	811.70	
Miscellaneous	7.24	
	<hr/>	
		321,386.05

Disbursements:

Commissary Payments	190,076.21	
Inmate Discharges	99,916.68	
Payment of fines and costs	15,547.02	
Personal Incidentals	5,314.00	
Other	2,766.47	
Canteen payments	2,694.21	
Return Inmate Fund	469.42	
Damages Paid	392.72	
	<hr/>	
		(317,176.73)

Adjustment:

Net Bank fees	40.80	
Unexplained / Cutoff adjustment 2008	(2.60)	
Indigent Credit not reimbursed	(811.70)	
	<hr/>	

Ending Balance (12/31/08) **\$ 18,845.54**

**THE BEAVER COUNTY JAIL - WORK RELEASE FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2005**

Beginning Balance January 1, 2005		\$ 6,573.44
Inmate Payroll Receipts:		486,572.06
Disbursements:		
Returned to Inmates	\$239,481.56	
Room and Board	194,474.89	
Court Costs	23,609.88	
Commissary	21,226.21	
Court Ordered Support	5,461.16	
Magistrates	1,624.14	
Medical Tests	697.71	
Miscellaneous	180.00	
	total disbursements	(486,755.55)
Adjustments:		
Miscellaneous Fund Balance Adjustment		(389.95)
Ending Balance December 31, 2005		<u>\$ 6,000.00</u>

**THE BEAVER COUNTY JAIL - WORK RELEASE FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2006**

Beginning Balance January 1, 2006 **\$ 6,000.00**

Inmate Payroll Receipts: **417,815.82**

Disbursements:

Room and Board	\$191,354.55
Returned to Inmates	185,784.71
Commissary	16,777.39
Court Costs	12,050.06
Court Ordered Support	8,497.54
Magistrates	2,569.87
Medical Tests	<u>781.70</u>

total disbursements (417,815.82)

Adjustments:

Unreimbursed bank fees	(0.10)
December 2006 unpaid room & board	<u>8,571.19</u>

Ending Balance December 31, 2006 **\$ 14,571.09**

**THE BEAVER COUNTY JAIL - WORK RELEASE FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2007**

Beginning Balance January 1, 2007		\$ 14,571.09
Inmate Payroll Receipts:		353,571.00
Disbursements:		
Room and Board	\$167,398.87	
Returned to Inmates	159,574.01	
Court Costs	11,496.62	
Commissary	10,581.30	
Court Ordered Support	3,091.00	
Magistrates	1,278.00	
Medical Tests	<u>151.20</u>	
		(353,571.00)
total disbursements		
Adjustments:		
Unreimbursed bank fees	<u>(135.87)</u>	
Ending Balance December 31, 2007		<u>\$ 14,435.22</u>

**THE BEAVER COUNTY JAIL - WORK RELEASE FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2008**

Beginning Balance January 1, 2008 **\$ 14,435.22**

Inmate Payroll Receipts: **372,949.61**

Disbursements:

Returned to Inmates	\$ 187,756.29
Room and Board	156,888.33
Court Costs	13,895.33
Commissary	11,452.33
Court Ordered Support	1,590.83
Magistrates	1,069.50
Medical Tests	252.00
Miscellaneous	45.00

total disbursements (372,949.61)

Adjustments:

Miscellaneous	2,722.77
Unreimbursed bank fees	(277.53)
Unreimbursed return items	(1,014.00)

Ending Balance December 31, 2008 **\$ 15,866.46**

DAVID A. ROSSI
CONTROLLER



WILLIAM CALHOON
CHIEF DEPUTY CONTROLLER
ALBERT A. TORRENCE
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

May 4, 2009

Mr. William Schouppe, Warden
Beaver County Jail
6000 Woodlawn Boulevard
Aliquippa, PA 15001

Report on Internal Control Structure

We have audited the accompanying statement of account of the Beaver County Jail Commissary and Work Release Programs for the period January 1, 2005 to December 31, 2008, and have issued our report thereon dated May 4, 2009.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the Beaver County Jail Commissary and Work Release programs for the period January 1, 2005 to December 31, 2008, we considered the office's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and the office's compliance with applicable regulations and not to provide assurance on the internal control structure.

The management of the Beaver County Jail is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with prescribed policies. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure except for matters of compliance. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the county office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. We noted the following:

- A need to update policies and procedures
- Canteen funds were used for prison general operating expenses
- Keefe Commissary Network invoices were not verified resulting in a \$19,598.11 overpayment
- Incorrect pricing resulted in Inmates being undercharged for commissary purchases
- Sales Taxes were not properly charged

- The Telephone Commission Contract and related commission proceeds were not properly controlled
- Room and board collections totaling \$10,875.46 were not transmitted to Beaver County
- Medical service fees totaling \$2,229.12 were not transmitted to Beaver County
- Total Work Release fund balance was not being reconciled to available funds
- Improvement was needed in the controls over the Work Release checking account
- Inmate Fund escrow liability was not being reconciled to available funds
- Improvement was needed in the control over the reimbursement of bank fees
- Improvement was needed in the administration and controls over Inmate damages
- Improvement was needed in the administration and controls over Inmate Indigent Credits

For further elaboration on these weaknesses, refer to the "Findings and Recommendations" section of this audit report.

This report is intended solely for the information and use of the Office of the Controller, management, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



David A. Rossi
Beaver County Controller

FINDINGS AND RECOMMENDATIONS

Finding 1: No Local Policies and Procedures

Pennsylvania Code Title 37, Chapter 95, County Correctional Institutions, is designed to encourage county prisons to develop and utilize local policies and procedures that are in keeping with existing State Law and recognize professional standards for all sections addressed in the chapter. Written local policies and procedures for the Commissary, Inmate fund and Work Release Programs at the Beaver County Jail were incomplete and not up to date. This condition was cited in the prior audit performed by the Beaver County Controller's Office, but was not corrected as of our most recent audit.

Recommendations:

Written local policies and procedures should be developed for the administration of the Work Release program, Commissary, and Inmate fund. The Commissary policies should establish the county's intention to offer a commissary to the inmates and detail the procedures for its operation. The Work Release policies should include all the elements as required by the Pennsylvania Code Title 37 Section 451.124.

Finding 2: Canteen funds were used for prison general operating expenses

In addition to paying for Jail commissary expenses, the Canteen Fund was used to pay for Inmate payroll, food, miscellaneous equipment, inmate supplies, maintenance, and for other inmate activities and entertainment. (i.e. newspapers, basketballs, law library updates, satellite T.V. connection, T.V.'s). Prison Board approval was not required for these payments to be made. There was no accounting for the expenditures processed through the Canteen Account to designate which expenditures related to the operation and administration of the commissary, and which were for general prison expenditures or for inmate activities. There was no determination made as to the profitability of commissary operations. Also, county established controls for purchasing, invoice payment and fixed asset control were averted by the use of this fund for general prison expenditures. During the four year period 2005-2008 it is estimated that non-commissary expenditures processed through this account were in excess of \$600,000.

No clear separation and designation of expenditures allowed to be processed through the Canteen Account was established. Because items purchased through

the county system were also being purchased through the Canteen Account, there was a potential for duplication of payments. This condition was cited in the prior audit performed by the Beaver County Controller's Office, but was not corrected as of our most recent audit.

Recommendation:

Written policies and procedures should be developed to specify the administrative requirements for the handling of the Canteen Account receipts. To help offset some of the costs of operating the prison facility and its programs we recommend that all excess funds be transmitted to the County's general fund.

Policies should be established to specify all expenditures allowable for processing through the Canteen Account. These should be separate and distinct from the expenditures processed through the county system.

If only commissary expenses and approved inmate programs were paid through the Canteen Account and, all general operating expenditures were paid through the Courthouse system, the county records would more accurately reflect the cost of running the jail. Also purchasing policy, invoice payment procedures, and fixed assets controls would not be averted through the use of the Canteen Account for operating expenditures.

Any expenditure paid through the Canteen Account and not directly associated with the administration of the Prison Commissary should be accounted for separately and the commissary profitability should be determined and evaluated.

Finding 3: Keefe Commissary Network invoices were not verified resulting in a \$19,598.11 overpayment

In March of 2007 Keefe Commissary Network Sales began supplying food and other related products to the Beaver County Commissary for the inmates. From March 2007 through December 2008 a total \$296,996.12 was invoiced and paid to Keefe for commissary items without any verification of the billings.

According to the Keefe Commissary Network agreement authorized by resolution on October 26, 2006 the Beaver County Jail was to be paid a 28% commission on items purchased through the commissary. Audit review of the Keefe invoices from March 2007 through December 2008 determined that only \$68,309.13 (23%) was received for commissions during that period. There should have been an additional

additional 5% collected from Keefe totaling \$14,849.81.

Audit review of the invoices also revealed that, along with the payment invoices, Keefe had submitted a total \$2,311.81 in credit adjustments that Jail personnel had not used to reduce the payment amount. Further review of credits processed through the Inmate Fund from March 2007 through December 2008 showed a total \$5,054.41 was returned to various inmates' accounts for credits processed during that period. This amounted to \$2,742.60 given back to the inmates over the amount acknowledged by Keefe. Posting and pricing errors accounted for \$306.11 of the discrepancy [see pricing and sales tax exceptions]. The remaining \$2,436.49 was documented in the Jail's files on credit forms however it could not be determined if the information was submitted to Keefe. Jail personnel not only didn't apply Keefe's credit adjustments they also didn't track to assure that they received all credits from Keefe.

The following is the breakdown of all Keefe credits through December 2008:

2007	Credits to Inmates not acknowledged by Keefe	\$ 2,334.86
	Actual Keefe's credit adjustment invoices	726.03
	Posting and pricing errors	<u>247.30</u>
	Inmate Fund Credits to Inmates	\$ <u>3,308.19</u>
2008	Actual Keefe's credit adjustment invoices	\$ 1,585.78
	Credits to Inmates not acknowledged by Keefe	101.63
	Posting and pricing errors	<u>58.81</u>
	Inmate Fund Credits to Inmates	\$ <u>1,746.22</u>

A total \$19,598.11 was overpaid to Keefe Commissary Network as a result of inattention on the part of jail personnel in the reviewing the invoices prior to payment. Commissions were not paid in accordance with the contracted 28%. The jail received but never applied Keefe's credit adjustments for 2007 and 2008 in the amount of \$726.03 and \$1,585.78 respectfully. Additionally, the jail processed credits for \$2,334.86 in 2007 and \$101.63 in 2008 but did not assure that Keefe acknowledgement was received.

Recommendation:

Written policies and procedures should be developed for administrative personnel and the commissary clerk to assure that:

- all invoices are verified to assure that the proper percentage commission is received

- all invoices are verified and reconciled to the Inmate Fund computer data prior to payment
- credits are processed on the proper Keefe form in a timely manner
- Keefe's credit adjustment are reviewed and reconciled to the Inmate Fund's computer credit data to ensure proper processing and receipt of all credit amounts.

We recommend that the \$14,849.81 additional commission be recovered from Keefe Commissary Sales Company.

We recommend that the \$2,311.81 of acknowledged credit be recovered from Keefe Commissary Sales Company.

We recommend that the \$2,436.49 of unacknowledged credit be submitted to Keefe Commissary Sales Company for recovery.

Finding 4: Incorrect pricing resulted in Inmates being undercharged for commissary purchases

Audit review determined that 27 of the 300 items offered for sale to the inmates by Keefe Commissary Network Sales were coded in the jail's computer with a price less than the amount actually charged by Keefe. Because the bills were not being reviewed prior to payment and the computer pricing was not periodically compared to the Keefe's price list, Inmates were being undercharged for commissary purchases.

Recommendations:

Written policies and procedures should be established for the control of commissary pricing to assure that:

- Keefe's weekly invoices are reconciled with the commissary store orders to assure proper pricing.
- Any price changes are entered into the inmate system timely and charged to the inmates accurately.
- Periodically the prices programmed into the computer are compared and verified with Keefe's master price list.

Finding 5: Sales Taxes were not properly charged

The jail's computer system wasn't charging the inmates the appropriate sales tax on commissary orders that were processed by scanning the order sheets. Sales tax was only being charged for orders that were manually entered into the computer system. For the special needs unit (SNU) and restricted housing unit (RHU) the commissary clerk would input the inmate's orders manually and in these instances sales tax was applied. In most cases however, a bubble sheet (order form) was filled out weekly by the inmates. The commissary clerk would mechanically scan the bubble sheets and submit the data to Keefe for processing. Beginning March 2007 due to a computer malfunction, no sales tax was charged on any order processed mechanically.

For all credits, the commissary clerk would manually input the data into the inmate's accounts. Because of the computer system error, for all inmates in units other than SNU and RHU, the jail's computer system calculated a sales tax credit for the inmates' accounts on taxable items even though the inmate was not originally charged any sales tax.

Recommendations:

The inmate fund computer system should be reprogrammed to properly calculate and apply sales tax for both manual and mechanical processing methods.

The inmate computer system should be reviewed to assure that coding has been properly entered to make certain that all sales tax is collected for any taxable items in accordance with the Pennsylvania Sales Tax Laws.

A determination should be made as to the amount of sales tax not collected and what amount should be paid to the PA Department of Revenue.

Inmate credits should be reviewed and reconciled to assure that no more credit is applied to the inmates' accounts than is received from Keefe Commissary Sales.

Finding 6: The Telephone Commission Contract and related commission proceeds were not properly controlled

A telephone commission arrangement was established October 27, 2005 with Inmate Telephone, Inc. (ITI) to allow for inmate phone equipment and vending services. It was noted that no November 2005 through February 2006 commission checks were deposited into the Canteen Fund bank account. Upon audit inquiry, the Warden indicated that ITI installed a new non-coin operated telephone system (NCOTS) and began the five year vending agreement with Beaver County as of December 1, 2005. According to the Warden's recollection, those first several commission checks were not received and in exchange, Beaver County was to receive the NCOTS. The actual contract for the inmate phone vending arrangement was not signed until July 10, 2008 and in this contract it was agreed that the NCOTS remained the property of ITI not Beaver County. Three months of lost commissions is estimated at approximately \$25,000.

The contract, when signed in July 2008, stated that "In consideration for granting ITI the exclusive right to operate the NCOTS at the Facility, ITI will pay Customer Forty Eight (48%) percent of the gross billed revenue generated by calls made from the NCOTS at the Facility". From March 2005 through October 2008 Beaver County received only 42% commission from ITI the difference being a loss of approximately \$15,000. Unfortunately, a clause in the contract limits any recovery of incorrect commission payments stating "All commission payments shall be final and binding upon Customer unless written objection thereto is received by ITI within sixty (60) days of mailing of the commission payment to Customer by ITI." Jail personnel maintained a file of all ITI statements with a copy of the deposit slip to assure that commission checks were received and deposited however they did not verify that the commission amount was correct.

Recommendation:

Because of the language in the contract limiting recovery of miscalculated commission it is essential that all commission checks and supporting documentation be reviewed timely to assure that monthly checks are received, correctly calculated and deposited.

We recommend that the telephone commission checks be immediately transmitted to the Beaver County Treasurer after Jail personnel have verified the amount.

Finding 7: Room and board collections totaling \$10,875.46 were not transmitted to Beaver County

Charges totaling \$8,571.19 were not remitted to Beaver County for room and board collected from inmates in the Work Release program during the entire month of December 2006.

It was also noted that various clerical errors caused a \$2,304.27 overage in the Work Release Bank Account as of March 2009. The result of these clerical errors was determined to be an underpayment of room and board collected on behalf of Beaver County.

Recommendation:

The Jail personnel should have recognized the omission of the December 2006 remittance by reviewing the Beaver County General Ledger Detail.

By reconciling the Work Release Account balance to the check register and available funds errors could have been detected and corrected.

A total \$10,875.46 was remitted to Beaver County upon the Auditors' request.

Finding 8: Medical service fees totaling \$2,229.12 were not transmitted to Beaver County

Fees for medical services provided to inmates during their incarceration are charged to their inmate accounts. For the period of review 2005-2008 charges totaling \$2,229.12 were collected from inmates but were not remitted to Beaver County.

Recommendation:

The Jail personnel should assure that Inmate Computer summaries are compared and reconciled to the Medical Fee for Service Billing forms and that the amounts are transmitted to Beaver County.

The \$2,229.12 was remitted to Beaver County upon the Auditors' request.

Finding 9: Total Work Release fund balance was not being reconciled to available funds

For Work Release the fund balance as reported to the Prison Board was not being reconciled to the available checkbook balance. Total fund balance reported on 12/31/08 was \$6,000.00. Cash available in the Work Release Bank Account on that date totaled \$15,866.46.

Without the verification of the fund balance to actual cash, errors in the distribution of funds or misuse of funds can go undetected.

Check Book Balance 12/31/2008	\$15,866.46
Return item recovered January 2009	1,014.00
Unpaid Room and Board from clerical errors	(2,309.27)
Unpaid December 2006 Room & Board	<u>(8,571.19)</u>
Fund Balance December 31, 2008	<u>\$6,000.00</u>

Recommendation:

Without the verification of the fund balance to actual cash, errors in the distribution of funds can go undetected. The Work Release funds received in any month should be disbursed in that month to maintain a constant fund balance. The fund account balance should be reconciled to the check register and actual bank balance monthly, and any discrepancies should be immediately investigated and resolved.

Finding 10: Improvement was needed in the controls over the Work Release checking account

The Work Release checking account was not being properly reconciled on a monthly basis. No check register balance had been calculated since November 30, 2006.

No tracking of outstanding checks was done for the Work Release Program since July 2006.

Due to limited staffing at the jail a strict segregation of duties was not followed. The individual that prepared deposits, prepared and signed checks, and also was assigned the task of completing the bank account reconciliations and financial

statements. To add a measure of control two signatures were required on each disbursement check, however, at the time of audit review 23 unissued checks were found in the checkbook with one signature already affixed.

Recommendation:

It is recommended that the Work Release check register be reconciled to the bank statement balance monthly. This will help to assure that money collected is disbursed timely and accurately, that bank service charges are reimbursed, and that any return deposits are followed for the replacement of the funds. This will also make it easier to verify the accuracy of the Beaver County Jail Work Release Financial Statement which is prepared for the Prison Board.

It is recommended that policies and procedures be developed for the monitoring and control of outstanding checks.

All supporting documentation for each check should be reviewed prior to the addition of the second authorized signature.

Finding 11: Inmate Fund escrow liability was not being reconciled to available funds

The Inmate Accounts on the computer system were not being reconciled to the available cash balance in the bank account. Because this cross check was not a part of the monthly closing procedure, errors occurred that went undetected.

Recommendation:

Monthly procedures should include verification of amounts entered into the computer with actual receipts and disbursements processed through the bank account. Any discrepancies should be immediately investigated and resolved.

Finding 12: Improvement was needed in the control over the reimbursement of bank fees

Bank fees totaling \$286.74 charged to the Inmate Fund Account were not properly reimbursed.

November 2003	61.30
November 2004	125.50
Check Charge February 2004	113.75
Check Charge August 2004	199.84
February 2005 double reimbursement	(124.30)
June 2007	71.20
July 2007 overfunded	(160.55)
	<u>286.74</u>

Bank charges totaling \$413.50 incurred in 2007 and 2008 for the Work Release Account were not reimbursed.

Recommendation:

It is recommended that all service fees for the Inmate Account and Work Release Account be reimbursed from the Canteen Account.

Reconciliation of the accounting records to the check register balances would have highlighted these reimbursement omissions.

Finding 13: Improvement was needed in the administration and controls over Inmate damages

The handling of funds charged for inmate damages was not well controlled. Audit review of the 2005-2008 damage report files revealed incomplete data and supporting documentation. Damages were assessed for inmate clothing, supplies and jail property which had been purchased through the Beaver County General Fund. Charges to the inmate's accounts were not supported by properly authorized damage reports. Recovered funds transmitted to Beaver County during the period could not be verified for accuracy.

Recommendation:

Procedures for the handling and control of Inmate damage charges should be strengthened. Data entry of inmate damages should include verification of amounts entered to authorized damage reports and computer summary total reports. All funds collected from Inmates for damages should be verified monthly and should then be transmitted to the Beaver County General Fund. Any discrepancies should be immediately investigated and resolved.

Finding 14: Improvement was needed in the administration and controls over Inmate Indigent Credits

Indigent Inmates were charged for commissary items and/or medical fees even if they had no available funds with hope that future funding would become available.

Upon release, any negative inmate balance not resulting from damages payable, was to be adjusted as an indigent credit. This funding deficit was to be reimbursed from the Canteen Account.

Audit review of 2005-2008 Indigent Credits revealed that reimbursements totaling \$2,167.07 were not processed since January 2007.

Recommendation:

All Indigent Credits should be verified and reimbursed monthly from the Canteen Fund. Any discrepancies should be immediately investigated and resolved.

An exit conference was held on May 4, 2009 for the purpose of discussing the items presented in this report. Those in attendance were:

The Beaver County Jail

William Schouppe – Warden
Kathy Tepsic – Office Manager
Leon Mathews – Work Release Coordinator

Beaver County Controller's Office

Cheryl Spagnola – Auditor
Willie Hoenig – Auditor

The results of the audit were discussed in there entirety during this conference.

The Warden is requested to respond with the corrective action planned or taken for the findings. If no corrective action is planned please state this. Please return these responses to the Office of the Controller within thirty days of receipt. The responses will be incorporated and become a part of this report. As part of the Office of the Controller's normal reporting procedure, a copy of this report along with the responses will be distributed to the Beaver County Board of Commissioners and will be posted in the Controller's section of the Beaver County website.

BEAVER COUNTY JAIL



TO: Cheryl Spagnola, Auditor

SUBJECT: Response to Audit for 2009

DATE: 07-17-2009

Dear Cheryl,

I have reviewed the audit for 2009 and I concur with the findings and I am working to solve, address and set up policies for the future of the revenue funds at the jail and how they will be handled. I will be meeting with the County Commissioners on Tuesday to discuss recommendations on how these funds will be handled. I am meeting on Monday with our Keefe Rep to discuss the credits and they will be reviewing them. I have resolved the sales tax issue and will be meeting with the Law Department to go over the contract issues brought up in the audit.

Overall, I have not resolved all of the issues from the audit, but I have done what I can to get most of them moving toward some solution. I will be giving policies to the Prison Board for review and hopefully having them accepted so they can go into formal use.

I want to thank you and Will for all the time you put into the audit. Your suggestions and comments have always helped us to do a better job of managing our accounts.


William J. Schouppe, Warden

Board of Commissioners
Tony Amadio, Chairman
Joe Spanik
Charles A. Camp

BEAVER COUNTY JAIL

6000 Woodlawn Boulevard
Aliquippa, PA 15001

Warden
William J. Schouppe

Director of Treatment
Carol Steele-Smith

Operations Manager
Frank Deramo

724-378-8177
724-378-5812 FAX